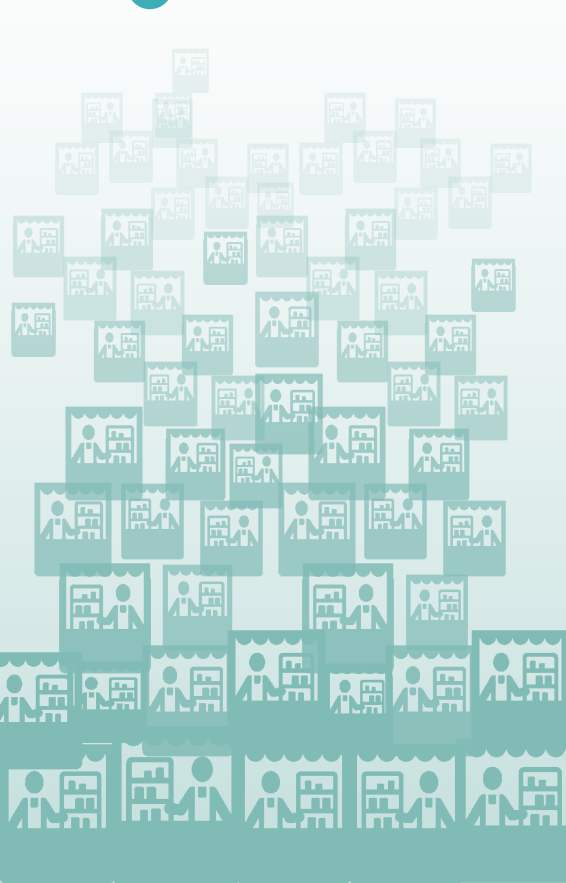


Wholesale&Retail

LEADERSHIP CHAIR

Collaboration opens the window to a world of opportunities

The Unique Role of the Survivalist Retail Entrepreneur in Job Creation and Poverty Reduction A SUMMARY



In 2010, *Spaza News* estimated there were **more than 100 000** spaza enterprises with a collective turnover of **about R7 billion** in the country. The drivers of this industry include entrepreneurs and businesses that trade finished goods either directly or indirectly to consumers.

“I took a short course at Learn-to-Earn in iLitha Park, Khayelitsha. Now I have six guys that I work with. ... What I need now is a place with more space.”
– furniture upholsterer

INTRODUCTION

This study explores the role of survivalist retail entrepreneurship in the context of Khayelitsha, a township on the outskirts of metropolitan Cape Town.

It shows that this evolving sector has the potential to create jobs, thereby reducing poverty and aiding the economic growth of the country. However this will not happen without specific interventions and support.

Targeted programmes might include basic business skills training (such as simple bookkeeping practices and human resource management) and be aimed at boosting motivation levels and self-efficacy.

Importantly, this study is the first of its kind in Khayelitsha, indicating a new vista for retail entrepreneurship research. Further studies might include a closer look at micro enterprises (generally dominated by women) and immigrant groups who operate successfully in township environments. Similar research could also be extended to other geographic areas.

Informal sector entrepreneurs are generally not registered and do not pay tax, nevertheless, this should not diminish government’s confidence in supplying this group with the necessary resources to help them grow in the interests of overall economic development.

METHODOLOGY

Khayelitsha, a township in metropolitan Cape Town, was chosen as an area of study because it is a developing community on the Cape Flats dominated by survivalist entrepreneurs. The community also has a rich history dating back to the 1980s when apartheid was at its peak, a factor that has a bearing on this study.

For the study, researchers employed a technique known as “snowballing”. This involves a researcher approaching one subject who, in turn, refers them to another suitable subject (this could be a relative, friend, acquaintance, competitor or anyone else known to them).

Structured questionnaires as well as semi-structured interviews were used to collect data in isiXhosa. Out of 200 questionnaires, 182 were deemed to be useful and analysed using the Statistical Package for Social Sciences (SPSS) version 23.

Survivalist entrepreneurs who operate on a very small (micro) scale, such as sweet sellers, were excluded because they were perceived to be highly unlikely to transit to the formal sector economy. Foreign national/immigrant entrepreneurs were also excluded from the sample. Both these groups are deemed worthy of further study.

BACKGROUND

The exclusions and imbalances keeping black South Africans from freely engaging in the country’s economy under apartheid left a legacy with potential long-term effects from one generation to the next.

Sound, well-implemented policies are needed to turn this around and to place South Africa on a more competitive footing in the world economy. Yet, while the South African government has expressed a commitment to supporting SMMEs, performance in this sector has been lagging.

Literature suggests that the government should pay extra attention to the key aspects that affect the SMME sector, among them access to business funding. However, funding without the concomitant business skills is risky. Hence, training for the essential knowledge and business skills should take precedence.

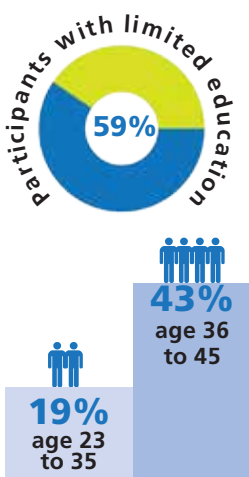
Why survivalist entrepreneurs?

Research suggests that survivalist retail entrepreneurs in South Africa are severely neglected in terms of small business development initiatives and support services.

People who fall within this category operate on a small scale with the primary objective of supporting themselves and their families. Nevertheless, they form a significant part of the informal sector and have a role to play in overcoming socio-economic challenges such as joblessness and poverty.

Statistics South Africa (2012) suggested that survivalist entrepreneurs were not generating jobs. The aim of the study, therefore, was to find out what the constraints were and to make recommendations to reverse this trend.

Who are survivalist entrepreneurs?



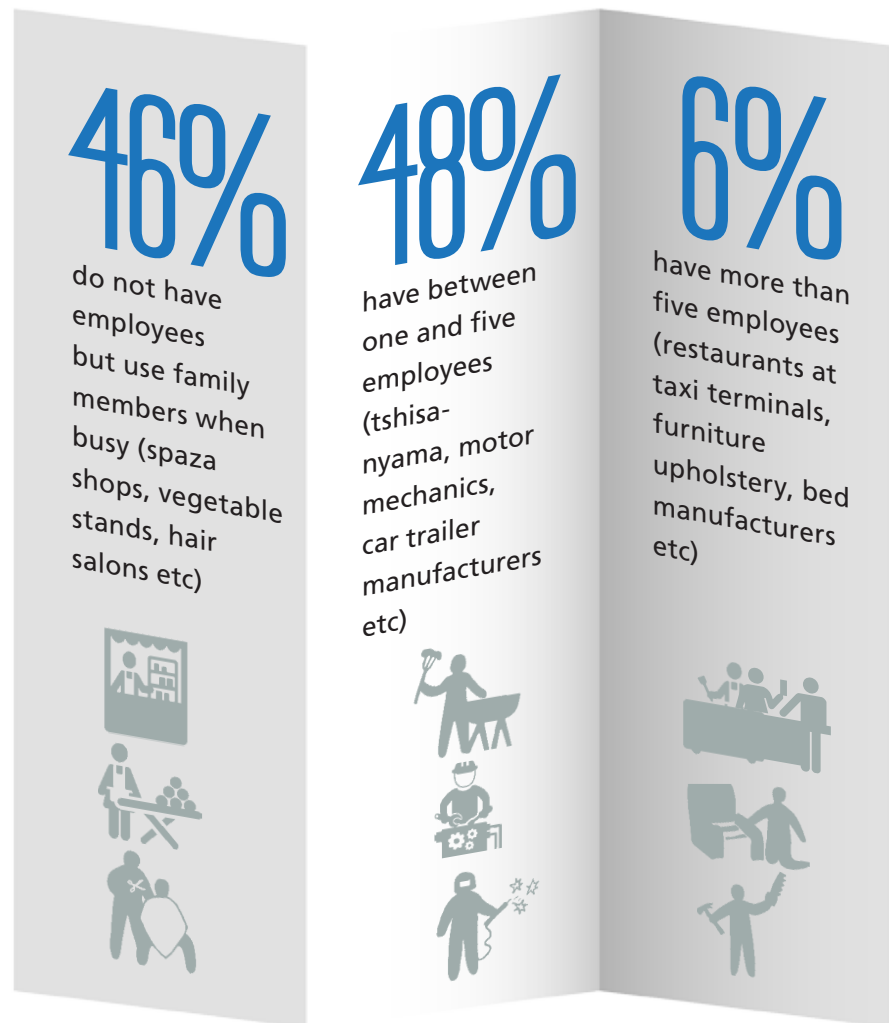
The study found that the gender breakdown was statistically insignificant but that 59% of those interviewed had limited education or training (either primary or unfinished high schooling). The percentage of those with inadequate education was higher for the older age group 36 to 45 years (43%) compared to those aged between 23 and 35 years (19%). A particular significance of this result is the emphasis it places on education and training as critical to the growth of survivalist entrepreneurs.



TYPE OF PRODUCT/INDUSTRY	RANKING
Spaza shops	1
Restaurant/food business	2
Braai meat (tshisa-nyama)	3
Fruit & vegetable	4
Butchers	5
Taxi operators	6
Shebeens	7
Clothing stalls	8
Fisheries	9
Furniture upholstery	10
Barber shop	11
Hair salon	12
Beds-manufacturing	13
Motor mechanics	14
Hardware timber & used-building materials	15
Bath and kitchen materials and corrugated metals	16
Car wash	17
Tailor	18
Sub contractor	19
Welding gates & burglar proofs; tents-for-hiring; mini-scrap yard; and car trailer manufacturing	20

Job creation potential

Some areas showed more potential for job creation than others. If these survivalist entrepreneurs receive more tangible support in the form of funding and training in book-keeping skills, they might be able to grow their businesses and employ others.



“...Eish, to be honest with you I am not doing well in managing money for my business. I wish I can get a proper training, maybe a short course and learn how to manage the business finances.” – spaza shop owner.

Beyond the spaza

While spaza shops predominate in this sector, people interviewed were also engaged in a range of other activities. Categories of survivalist entrepreneurs include producers (such as tailors), distributors (such as street traders) and service providers (such as barbers).

Financial management

Research suggests that poor management of business finances may result in liquidation of a business, which commonly happens to new entrepreneurial ventures that are managed by individuals with inadequate knowledge and experience.

This underlines the huge responsibility of the survivalist entrepreneur (who may be a single point of responsibility in the business) in ensuring that cash flows in and out of the business, in order to meet business goals.

Business goals

Of interest is that almost all the entrepreneurs share a common goal, which is to make more profit and grow their businesses. Some also have a vision of creating job opportunities for the unemployed in the township. Their goals included acquiring more assets such as bakkies, mini-trucks, more inventory, equipment, finding a secure/bigger place from which to operate, and so on.

Survey on financial management

35.7% said they never encounter financial management issues

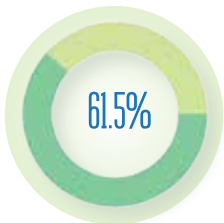
27.5% said they occasionally experience problems

15.4% said they always encounter such challenges

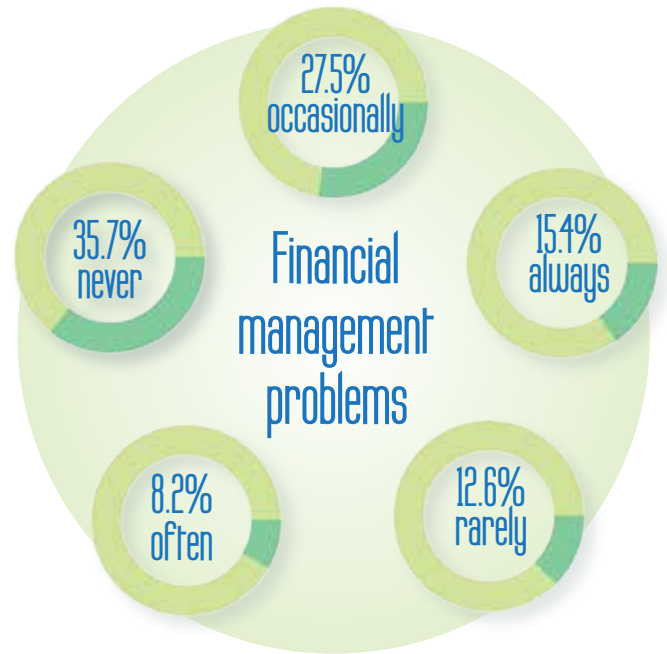
12.6% said they rarely encounter challenges

8.2% said they often face financial

management issues in their businesses



Encouragingly, the overwhelming 61.5% of the subjects said they never struggled to pay their employees on time. This signals that most of the survivalist businesses are capable of making enough income to cover the business costs, including paying wages.



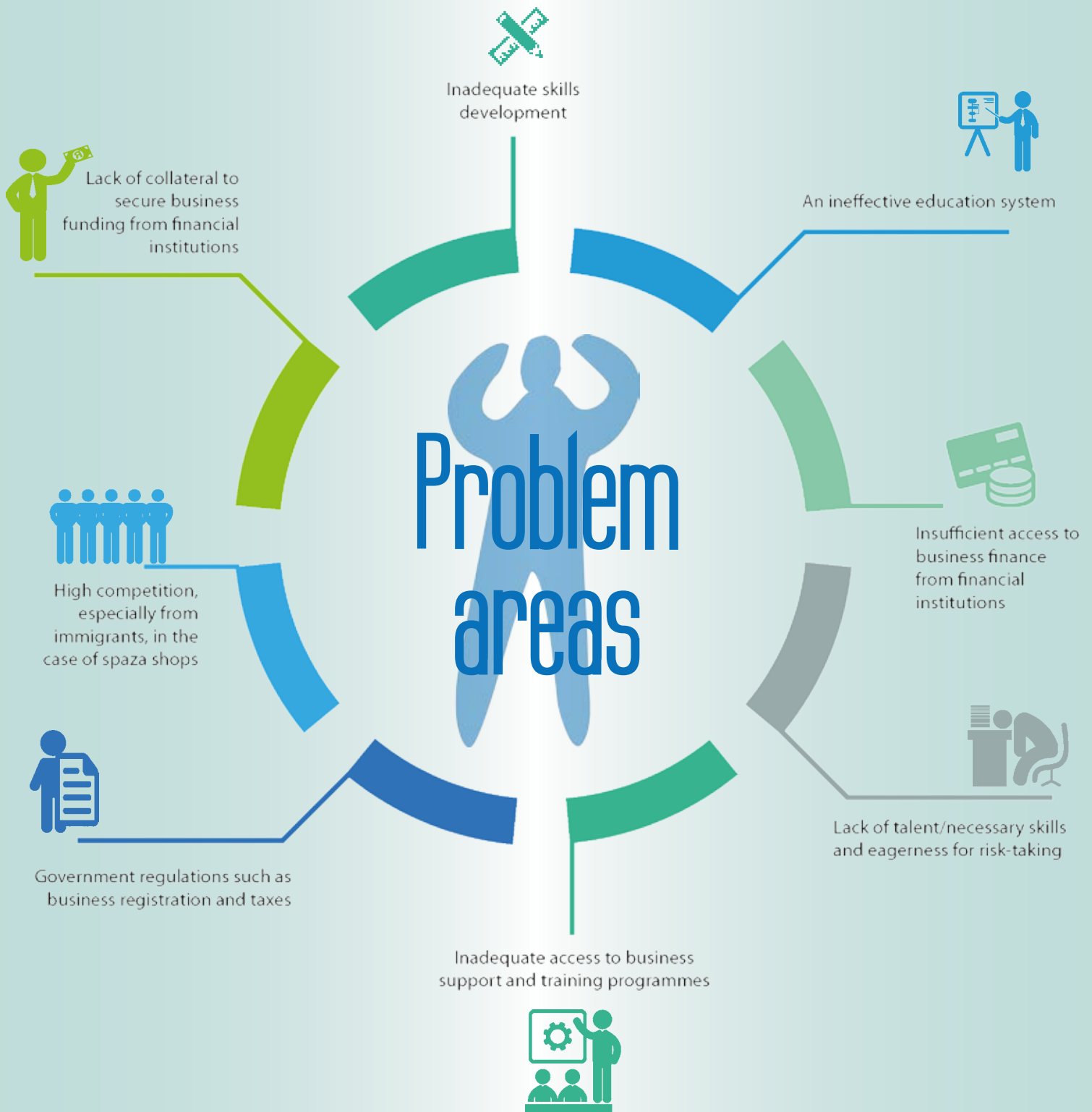
Somalian success story

Somali entrepreneurs often compete with local spaza shop owners and are sometimes the subject of xenophobic attacks for it. Researchers maintain that this group is able to operate successful businesses because of clan-based social networks that offer specific support. There are lessons to be learnt here as these networks offer:

- Access to cheap labour, recruited from their country of origin
- Micro-finance through investments and business partnerships
- Contractual agreements with clan elders who oversee business deals
- Strategic moves into geographical areas
- Group/bulk purchasing to secure discounts and operational economies of scale

Impediments to South African survivalist entrepreneurs

By contrast to their Somalian counterparts, South African survivalist entrepreneurs struggle to manage and grow their businesses.



This study recommends that government work together with the communities to set up supportive infrastructural facilities (in selected schools) tailored to prepare the survivalist entrepreneurs with the knowledge and skills they need to make their businesses a success.

CONCLUSION AND RECOMMENDATIONS

The impact of SMMEs in improving not only the lives of entrepreneurs themselves but also their employees is considerable. Entrepreneurship is a powerful mechanism that can help deal with the socio-economic difficulties such as unemployment and poverty. This includes survivalist retail entrepreneurs who should be treated fairly and without prejudice.

The primary goal of the survivalist entrepreneur is to provide an income for themselves and immediate family. As such, providing work for others becomes a bonus. Nevertheless, many of those interviewed for this study expressed ambition and the desire to grow their businesses.

Overall, the informal sector economy of Khayelitsha is rich in diversity but requires vigorous interventions from stakeholders of business development, not least government. Without proper education or skills training, and short courses focusing on the fundamentals of business, the odds to become actualised will be in vain.

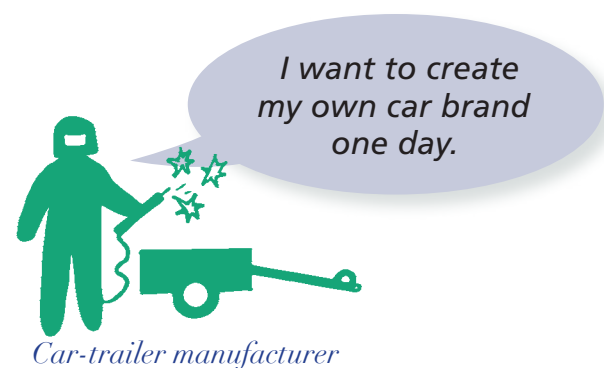
In addition, survivalist entrepreneurs struggle to obtain financial support from institutions such as banks because they lack collateral and are perceived as risky.

This study recommends that government work together with the communities to set up supportive infrastructural facilities (in selected schools) tailored to prepare the survivalist entrepreneurs with the knowledge and skills they need to make their businesses a success.

Survivalist entrepreneurs do not operate in a vacuum. The government and other private stakeholders should also establish business support platforms tailored to addressing the business needs of the informal sector economy.

The impoverished socio-economic landscape of South Africa is owed to the exclusions and imbalances of the apartheid regime, which prevented black South Africans from freely engaging in the mainstream economy. Should this not be tackled correctly, the poor shall remain poor, while poverty will reproduce itself from one generation to the next.

The unique role of the survivalist entrepreneur in job creation opportunities in the informal sector economy therefore needs to be further explored.



THE W&R SECTOR

W&R is the fourth largest contributor to GDP and the 30 000 tax-registered retail enterprises employ about 20% of the total economically active workforce according to Stats SA.

About 86% of registered enterprises in this sector are small and micro enterprises, 9.5% medium size and 4.5% large companies. Only 66% of operational retail traders are formally registered and contributing to the fiscus, suggesting there are over 100 000 informal (unregistered) traders in the sector accounting for 10% of national retail turnover.

The main employment increase has been in the informal /SMME sub-sector.

Wholesale&Retail **LEADERSHIP CHAIR**

Cape Peninsula University of Technology, Cape Town

THE WRLC

The Wholesale and Retail Leadership Chair (WRLC) at the Cape Peninsula University of Technology (CPUT) was established in 2013, based on an initiative by the Wholesale & Retail Sector Education and Training Authority (W&RSETA) to contribute towards sector research and professional qualifications development at higher education levels.

A national survey report entitled Priority Research Needs of the South African Wholesale and Retail Sector marked the first step taken by the WRLC towards the creation of a basis for relevant research in this dynamic business sector.

Adopting an exploratory research technique, using a snowballing sampling approach, this paper investigates the necessity for education and training within the survivalist retail entrepreneurship sector in Khayelitsha, in the Western Cape Province of South Africa.

The full report will shortly be available at <http://wrlc.org.za/research-2-3/>



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